



15810 North 28th Avenue
Phoenix, Arizona 85053
602-564-2050

www.triwest.com

Office of the President

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8 Corners
X Address 1
X Building
Washington, D.C. 20510

Dear (8 Corners):

Like many who care about the health and well-being of Veterans, we were surprised when the legislative package to make the needed refinements in VA Community Care, and the money to keep purchasing it when needed, was not included in the Omnibus Spending Bill signed by the President at the end of this last week. On behalf of TriWest Healthcare Alliance's 15 non-profit Health Plan and University Medical Center owners, I thought it important for you to know that it puts the work that we are doing in our half of the country to place a significant volume of Veteran care for VA with community providers in jeopardy. Unless Congress acts quickly to fund the Choice Program or allow the re-programming of funds – well before the expiration of funding in late May/early June – Veterans will be denied access to the community provider network we have constructed to support VA, providers likely will experience substantial claims payment delays, and TriWest will be forced to reduce as much as 25% of our workforce just to survive if that is even possible.

As the Secretary of VA said a week ago in his testimony, without additional Choice funding being appropriated as part of the omnibus appropriations, Choice funding will run out by the first week of June, a situation he indicated was “not ideal” and which would force VA to “put in place a prioritization system” so that Veterans that need community care the most would receive it. This is exactly what has occurred in prior instances of such funding uncertainty – VA had to dramatically limit use of the Choice Program, well before funds were expected to be fully depleted, creating longer waits for care and continuity of care gaps.

Given the fact that our company's fiscal year starts April 1, this current funding challenge could not come at a more unwelcome time for a company that stepped up when others in the health care industry were unwilling and that has been fulfilling its commitments at great cost in spite of the instability, unpredictability and repeated threats. Now, the failure of Congress to address the pending depletion of Choice funding has significantly complicated our budgeting process, forcing us to get ready to lay off personnel based on the fact that this third financial crisis in twelve months was not averted last week.

Recently, we brought to the attention of Secretary Shulkin and his staff a number of critical issues that pose substantial financial threat to TriWest. And, as you might hope, they reached out to us in an effort to see if we couldn't bring them to resolution and work is underway which will hopefully bring about resolution of these matters. They include the following:

1. TriWest serves as the bank for VA by paying provider claims upfront and then invoicing VA. VA then is supposed to reimburse us in a timely manner. Timely reimbursement by VA has been a challenge since the start of the program. Currently, the over 30-day amount VA owes TriWest is approximately \$100 million. VA's continued inability to reimburse us in a timely manner will ultimately negatively impact Veterans. And, in spite of the fact that we are using nearly \$200 million in capital (when only \$50 million is required per region in the next contracts), we soon will be forced again to slow down payments to community providers for the care that has been rendered. Such action will cause providers to become concerned about the viability of caring for Veterans and decline treating them.
2. VA's approach to claims processing has resulted in significant overpayments to TriWest and, in spite of all of the work that is underway to refine claims processing, VA still lacks an effective process for which we can return the nearly \$70 million of claims overpayments that we have reserved on our books. The bulk of these overpayments are not due to us incorrectly invoicing VA, but rather they are largely due to the way in which VA's system adjudicates claims.
3. A series of long needed and unresolved contract changes are projected to result in a \$65 million loss to TriWest in the fiscal year that begins April 1. These are changes that are supposed to resolve long-standing process gaps that enable each VA facility to impose inconsistent requirements on us (and thus create enormous and costly inefficiencies), as well as challenges that have been learned collectively as the program has grown and matured. This projected \$65 million loss is on top of the more than \$50 million that our company's owners have spent to date for the privilege of doing this work.

Even as we and VA work together to try and bring these issues to resolution, we now have the added and very real financial threat that comes with what did not get included in the Omnibus. Specifically, VA has been left short on funding for Community Care and they have not been given the authority to move funds between accounts to address the shortfall.

TriWest and its owner organizations were asked by VA to construct a community provider network to meet the health care needs of Veterans in support of VA. In spite of the fact that we successfully built a massive, customized network of 200,000 providers at market rates for care (saving VA money against its average 160% of Medicare that VA has been paying for the same service), many VA facilities are being allowed to continue to contract directly for the same services rather than using the network. This behavior, which is inconsistent with VA's "Hierarchy of Care" Policy and the next generation of contracts for which VA is currently procuring, has resulted in a significant drop in the volume of work and is causing the company irreparable financial harm. This will get even more pronounced as they run out of Choice funds and are prevented from moving funds between accounts in a fashion that allows them to fully leverage the network that we built for their use. Several weeks ago we had to lay off 225 staff, and our current projections indicate that the total reduction will be over 25% of our work force (bringing the total projected reduction of nearly 700). And, this is before the exhaustion of funds that is slated for late May/early June... which, as the last two financial crises would suggest, will send us into a financial free fall as VA facilities try and ensure that they have money left for at least the most critically ill that may present themselves in need of care.

It is hard to believe where all of this sits after the massive effort and funds expended to bring everything out of the ground so quickly to assist in the response to the crisis of access VA was facing. Admittedly, we stepped forward willingly when no one else was willing to do so in our geographic area of responsibility. And, while not yet at maturity, this is further along in our area

than TRICARE was at the same time more than 20 years ago and the price per user is cheaper. We know that because we were there! And, while that leads to pride, it will be of little consolation to the many Veterans who may well soon lose timely or convenient access to care if things continue on the current track!

After the price that our nation's Veterans have paid, especially those from this generation – with so many still engaged in the war on terror – it is inconceivable that it has come to this. The VA has always purchased care, it was just challenged in how it did it across the breadth of the country... just like DoD did not do it well, which was the reason for the birthing of the successful TRICARE program. And, in our geographic area of responsibility in the work we are doing in support of VA we were on that same path to deliver what was needed.

Next month is the 4th anniversary of the crisis in Phoenix, in response to which the concept of the Choice program was birthed. While there certainly is still work to do, in April we will process and pay our 10 millionth claim for care rendered in support of VA. That care has been provided to 1.1 million Veterans, about 25% of those eligible in our 28 state service territory. Care has been for Veterans living hundreds of miles away from a VA Medical Center, and it has been for those living right nearby who would have had to wait over 30 days to start cancer treatment or go without care due to the fact that the VA facility near where they live does not have that service available. The care rendered has been for everything from acupuncture to brain surgery, from IVF services to cancer care, and from primary care and mental health to heart and eye care. Moreover, more than 90% of all the appointments we make are scheduled within 5 business days of authorization. Across all categories of care, the average number of days to make an appointment with TriWest providers is 3 days, with the average number of days to be seen by a provider well under the 30 required.

While it has certainly been a privilege to serve Veterans these past few years, due the massive financial threats they now face once again in this privileged work, I cannot predict how much longer this company's owners and employees are going to be willing or able to stay at this work. And, after all we have endured in an attempt to stay focused on what we thought all agreed was a critical mission – ensuring that our nation's Veterans had timely and convenient access to what they earned with their service – it is just a shame.

Perhaps it might be possible for all parties to get together, as it relates to our geographic area of responsible to ensure that the outstanding issues are resolved and put together an approach specific to our area that maximizes VA, ensures access to needed care for Veterans, protects the taxpayer, and avoids sending the company I am privileged to lead into permanent financial ruin.

Respectfully,



David J. McIntyre, Jr.
President and CEO